

SOUTHEAST ALASKA POWER AGENCY

Regular Meeting

June 29, 2010

Elks Lodge
Petersburg, Alaska

1) CALL TO ORDER, ROLL CALL

Chairman Nelson called the meeting to order at 9:07 AM ADST on June 29, 2010 held at the Elks Lodge located at 301 1st Street in Petersburg, Alaska.

Roll Call

The following directors and alternates were present, thus establishing a quorum of the Board:

Director	Alternate	Representing
Charles Freeman	Mike Kline	Swan Lake – Ketchikan
Jack Dawson	Richard Coose	Swan Lake – Ketchikan
William Privett (absent at time of roll call)		Tyee Lake – Wrangell
Jeremy Maxand (via teleconference)	Timothy Rooney (via teleconference)	Tyee Lake – Wrangell
Joe Nelson	Ted Smith	Tyee Lake – Petersburg

The following participants were present for all or part of the meeting:

Dave Carlson	Chief Executive Officer, SEAPA
Eric Wolfe	Director of Special Projects, SEAPA
Don Phillips	Operations Manager, SEAPA
Sharon Thompson	Executive Assistant, SEAPA
Joel Paisner	Attorney, AterWynne
Jim Nelson	General Manager, TBPA
Mark Adams	Operations Manager, KPU
Andrew Donato	Engineer, KPU

2) Agenda

Mr. Carlson added Items 10.D (setting the wholesale power rate for FY2011), 10.E. (bid results for authorization to enter into the Swan Lake Storage Building contract), and 10.F. (preliminary discussion on diesel burns) to the Agenda.

Mr. Freeman moved to approve the agenda. Mr. Maxand seconded the motion. The motion carried unanimously.

3) Persons to be Heard:

None.

4) Minutes

Mr. Maxand moved to approve the minutes of April 20, 2010. Mr. Freeman seconded the motion. The motion passed unanimously.

5) Financial Reports

Mr. Carlson passed out copies of the April 2010 financials to the board, and reviewed the February and March financials, noting April revenues were over budget and operating and administration expenses were under budget. Mr. Carlson referred the board to the disbursements for the months of April, May and June 2010 and requested board approval of them.

Mr. Maxand moved to approve the disbursements for the months of April, May and June 2010 in the amount of \$1,846,142.65. Mr. Dawson seconded the motion. The motion passed unanimously.

6) CEO Report

Mr. Carlson reported he was pleased to have new staff, Don Phillips and Sharon Thompson, join SEAPA, and expressed his thanks to Eric Wolfe for Eric's continued commitment and excellent service to the Agency. Mr. Carlson further explained that the controller position is still not filled, and that Kaye Christofferson continues to commute from Anchorage to fill it. Mr. Carlson stated he will be conducting another interview in July, and may have to re-advertise the position. He noted utilizing QuickBooks as an accounting tool is much more efficient than MAS-90.

Mr. Carlson reported that the annual FERC Inspection at Swan Lake will take place on July 21, 2010.

Mr. Carlson discussed the renewal of SEAPA's insurance program. Most lines of coverage renew on August 1, 2010 and Marsh, SEAPA's broker, is beginning to market the program. Mr. Carlson also reported on the completed warranty inspection of the Swan Lake-Tyee Intertie, and the need for clearing because of problems encountered with excessive growth of brush covering trails, which hindered the inspectors from accessing five towers during the inspection. Mr. Carlson recommended that brush clearing be scheduled on a rotational basis.

Mr. Carlson further discussed two issues concerning the Swan Lake-Tyee Intertie, one of which is the roadless rule re-imposed by President Obama. Mr. Carlson suggested that the congressional delegation be brought up-to-speed on the impact the roadless rule will have on SEAPA's operations. Mr. Carlson also stated that the special use permit for construction of the Swan-Tyee Intertie has expired and an easement which has been negotiated between the USFS and SEAPA has not yet been signed by the Forest Service. SEAPA's attorney, Joel

Paisner, suggested that the current Special Use Permit could be extended until a permanent Easement can be issued.

Mr. Carlson suggested the next Board meeting take place on August 26, 2010 in Ketchikan. No objections from the Board members having been received, the meeting was tentatively scheduled for August 26, 2010 in Ketchikan.

The meeting recessed at 9:42AM

The meeting resumed at 9:59AM

7) Operations Manager/Director of Special Projects Report

Mr. Wolfe presented a slideshow of SEAPA operations and a review of R&R projects.

Mr. Wolfe updated the Board on the Tyee Lake Rewind. He explained that after Doble testing was performed this year, there was no adverse information. Mr. Wolfe expressed his greatest concern was the Wrangell reactor, and that it must be continuously monitored.

Mr. Wolfe discussed the installation of the rewind unit one generator at Tyee. He complimented the Tyee crew for doing a good job on keeping the plant running, and also complimented Morris Kepler for his invaluable work. Mr. Wolfe showed the Board pictures of the generator rewind project and explained the financial status of the project.

Mr. Wolfe explained to the Board that L&S Electric did a top-notch job on installation and commissioning of the new exciters at Tyee. He also explained the installation of a new runner on unit one which was done due to the existence of cracks on the old runners. He stated the turbine is now more robust, and because the Exciter is larger, it provides full capability for the winding. He discussed an updated rewind schedule which shows completion of the project by September 21, 2010.

Mr. Wolfe further presented to the Board graphs and explained the Agency can expect to spend \$750,000 a year for annual line maintenance, and that costs will increase. He opined that the Agency must be aggressive in keeping up on maintenance if the current 6.8 cents/kWh currently charged to customers is to be maintained.

Mr. Wolfe explained that operation's main focus is keeping the reservoirs at full capacity for the winter. He further explained that Tyee is the Agency's major money maker, and that it keeps Swan Lake full. He expressed his confidence in the integrity of the machine at Tyee for future operations.

Mr. Wolfe adamantly expressed to the Board the necessity of having a meeting every Tuesday at 8:30 a.m. involving the utility operators to discuss what is currently happening in the system and explaining what SEAPA wants to happen at the respective sites.

Mr. Wolfe discussed the upcoming Reliability Committee meeting to take place on July 15, 2010 in Ketchikan, and that topics of discussion will include the necessity of SEAPA taking the active role in water management decisions, contractor problems, STI integration, voltage, and other water management issues.

The meeting recessed at 11:16AM
The meeting resumed at 11:29AM

Mr. Wolfe continued to address the Board discussing the Shoal Cove microwave issue.. Mr. Wolfe's discussion prompted several comments from Mike Kline, Don Phillips, Dave Carlson and Joel Paisner regarding the U.S. Coast Guard's decision to demolish the existing towers. Mr. Carlson reported that SEAPA/FDPPA did not get served with notice of the demolition under the Memorandum of Understanding currently in place. Mr. Paisner offered that even if the U.S. Coast Guard served notice at this juncture, it would only add six months to the current September deadline. Discussion ensued regarding alternative solutions to preclude Swan Lake from losing communications. Mike Kline suggested getting a group together to brainstorm for solutions.

8) Project Reports

Mark Adams advised the board there was a crane inspection after which it was determined that the Grove crane has brake issues. He further reported that they are getting ready for a FERC inspection, and discussed the dam failure alarm, and barge going out to Swan Lake.

Jim Nelson reported to the board that the right-of-way crew is currently at Cleveland Peninsula cutting brush and trees. He further reported that Svendsen Marine Works is proceeding on building the 34' Svendsen craft and it is anticipated it will be built and running by the end of October.

Jim Nelson further reported on the progress of the Gatehouse, and that the new roof should be ready in six to eight weeks.

9. Old Business

None.

10. New Business

Mr. Carlson requested board approval to award a Consulting Services Agreement and Task Order to HDR Alaska, Inc. for engineering design services for the design of a new Solomon Gulch Low Level Outlet Works. Mr. Carlson explained the cost and request for proposal process, and the design flaws pointed out by HDR.

Mr. Maxand moved to approve the HDR Alaska, Inc. contract for the design of a new Solomon Gulch Low Level Outlet Works. Mr. Dawson seconded the motion. The motion carried unanimously.

Chairman Nelson recessed the meeting at 12:01PM for lunch. The meeting resumed at 1:02PM.

Dave Carlson opened the afternoon session of the meeting with discussion on the Integrated Resource Plan (IRP) contract. Mr. Carlson recommended that SEAPA will not award the

contract because of the Alaska Energy Authority's last-minute announcement of its intent to do the IRP themselves.

Jim Strandberg, Program Manager of the Alaska Energy Authority, spoke to the board about the IRP. Mr. Strandberg explained the State's position on the IRP and apologized to SEAPA for the conflicting direction given by the State regarding the project. Mr. Strandberg requested SEAPA's involvement with the AEA on the project and stated the AEA is proposing a study in collaboration with SEAPA with the goal of accomplishing a high level pre-resource list developed based on economic principals because the State believes a preferred resource list is the best economic approach. Mr. Strandberg continued with considerable discussion on the State's position and goals for the IRP.

Jeremy Maxand interjected with questions for Mr. Strandberg, including a request for information on the history of the Railbelt IRP funding.

Chuck Freeman queried Mr. Strandberg on what the State's position is if SEAPA does not agree with the State's process.

Mr. Strandberg explained scenarios that occurred in other communities that did not have State funding, and in which it was determined it was not the best economic choice for those communities. Mr. Strandberg offered that the preferred resource list is the best economic approach.

Chairman Nelson expressed reservations about SEAPA participating in AEA's IRP project. Jim Strandberg closed the IRP discussion commenting that he hopes to reflect SEAPA's desire for a 'bottoms-up' approach.

Mr. Carlson continued the meeting with discussion of the budget. William Privett joined the meeting telephonically.

Mr. Carlson discussed his June 23, 2010 budget memo to the board.

Mr. Carlson noted the need for due diligence with regard to net-billing procedures, and stated it is good business practice to get full backup for all costs.

Mike Kline responded that the utilities could overwhelm SEAPA with backup.

Dave Carlson then discussed the several line items in the budget with the board.

Mr. Privett moved for approval of the budget as presented with changes to line item 561300 from \$25,000 to \$60,000, and line item 571700 changed from \$150,000 to \$250,000, and that the \$250,000 set aside for the IRP remain in the budget as IRP Support. Joe Nelson seconded the motion and it carried unanimously.

It was moved by William Privett to approve an increase in the Swan Lake Storage Equipment building for R&R Project SWL-142-08 from \$300,000 to \$400,000. Jack Dawson seconded the motion and it carried unanimously.

William Privett moved to reauthorize R&R Project TYL-184-10 for the 34' Svendsen Landing Craft for Tye from \$230,000 to \$236,000. The motion was seconded by Mr. Freeman and unanimously carried.

It was moved by Mr. Freeman to approve the expenditure of \$3,541,684 in FY11 for previously approved R&R projects as listed on the spreadsheet entitled 'R&R Projects previously approved by the SEAPA Board'. William Privett seconded the motion and it unanimously carried.

Jeremy Maxand moved the board to approve \$688,700 for new R&R projects listed on page 2 of Dave Carlson's June 23, 2010 memo to the board on FY11 R&R Project Recommendations, identified as Items a. through q. Charles Freeman seconded the motion and it unanimously carried.

William Privett moved the board to set the wholesale rate at 6.8 cents/kWh, which is the same rate it has been. Jeremy Maxand seconded the motion and it unanimously carried.

Jeremy Maxand moved to approve the award of the Swan Equipment Storage Building contract to Northern Management Services, Inc. for \$290,784.00. Mr. Privett seconded the motion and it unanimously carried.

William Privett moved for an amendment to the Swan Equipment Storage Building to include a concrete floor slab in the Building for \$56,700. Mr. Freeman seconded the motion. The motion failed with Board members, Jack Dawson, Joe Nelson and Mr. Freeman voting no.

Robert Venables, Southeast Conference speaker, joined the meeting and updated the board on a meeting held between Jim Strandberg, Jodi Mitchell, of Inside Passage Electric Cooperative on the Kake-Petersburg Intertie, and thanking SEAPA for its past support of the Kake-Petersburg Intertie and the intent is that SEAPA be involved in the process.

Without further discussion or objection, Chairman Nelson moved to adjourn the meeting at 3:58PM ADST.